

**INFORMATION REPORT
OF THE
COMMISSION ON STATE TAX
AND FINANCING POLICY**



**Indiana Legislative Services Agency
200 W. Washington St., Suite 301
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December 2013

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State Tax and Financing Policy

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Karen Firestone Rossen, Fiscal Analyst
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Michael Landwer, Attorney
Roscoe Hooten, Attorney
Timothy Tyler, Staff Attorney

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INFORMATION REPORT

Commission on State Tax and Financing Policy

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation (codified in IC 2-5-3-1 and IC 2-5-3-2) to establish the Commission to do the following:

- (1) Promote a revenue-raising structure in Indiana that will provide adequate revenues to carry on the efficient operation of the state, county, and city governments and at the same time will assure that its burdens will be shared equitably by all taxpayers.
- (2) Encourage and bring about the accomplishment of enforcement policies and administrative practices that will result in maximum return from existing taxes to the state of Indiana at a minimum cost to the taxpayers.

IC 2-5-3-5 also authorizes the Commission to study and investigate any of the following:

- (1) The present state, county, and city tax structure of the state of Indiana.
- (2) Its revenue-producing characteristics and effects upon the economy of the state of Indiana.
- (3) Its equalities and fairness.
- (4) The enforcement policies and administrative practices related to that tax structure.
- (5) The costs of collection in relationship to the burden of the tax.
- (6) Overall administrative matters, fiscal matters, and procedural problems of the various departments of the state, county, and city governments as they relate to tax and financing policy.

The Legislative Council assigned the following topics of study to the Commission during the 2013 interim:

- (1) The benefits of and limitations resulting from the publication of budgets, tax rates, and levies by political subdivisions. (SEA 517-2013)
- (2) Providing more flexibility in managing a political subdivision's budget. (SEA 517-2013)
- (3) The effects of the credit for excessive property taxes under IC 6-1.1-20.6 on unprotected taxes, as defined in IC 6-1.1-20.6-9.8. (SEA 517-2013)
- (4) The granting of a property tax exemption for real or personal property, or both, if the property is owned, occupied, and used for providing early childhood education. (SEA 517-2013)
- (5) The administrative costs of providing township assistance. (HEA 1585-2013)
- (6) The reporting of the administrative costs of providing township assistance. (HEA 1585-2013)
- (7) Whether public libraries governed by appointed boards should be subject to the same budget and property tax levy review procedures that apply to other

- taxing units governed by appointed boards. (HEA 1116-2013)
- (8) Whether public libraries governed by appointed boards are uniquely situated and should remain subject to the budget and property tax levy review laws for public libraries that were in effect as of January 1, 2013. (HEA 1116-2013)
- (9) Whether the borders of adjoining library districts should change as the borders of an incorporated city or town containing a library district change. (HEA 1116-2013)
- (10) Reviewing the report by the Department of Local Government Finance and the Purdue University College of Agriculture providing: (a) proposed soil productivity factors to be used in the assessment of agricultural land under IC 6-1.1-4-13; (b) an explanation of the methodology used to determine the proposed soil productivity factors; (c) data, from each county, used to determine the proposed soil productivity factors; and (d) evidence of oral testimony and written comments provided to the Department of Local Government Finance by taxpayers and other stakeholders concerning the proposed soil productivity factors. (SEA 319-2013)
- (11) Conducting the second half of the income tax credit review. (HEA 1072-2012)
- (12) Providing state tax credits to taxpayers that hire ex-felons.(HR 78-2013)
- (13) Issues concerning state and local government accounting, including issues related to the implementation of generally accepted accounting principles (GAAP), as adopted by the Governmental Accounting Standards Board (GASB). (SEA 293-2013)
- (14) As necessary, preparing legislation for introduction in the 2014 regular session of the General Assembly to organize and correct statutes affected by the following: (a) the establishment of the Indiana Motorsports Commission; (b) the establishment of the motorsports improvement program and fund; and (3) amendments to IC 4-4-11 to carry out the purposes of IC 5-1-17.5. (HEA 1544-2013)
- (15)The use and effectiveness of Indiana's current land bank statute. (HEA 1317-2013)
- (16) Issues relating to creation of land banks at the municipal level, as well as the county level. (HEA 1317-2013)
- (17) The effects that municipal land banks and reformed land banking would have on current property tax collection and enforcement and tax sales. (HEA 1317-2013)
- (18) The effect of Indiana's current tax sale process on the disposition of vacant and abandoned property. (HEA 1317-2013)
- (19) The effect that creation of municipal land banks would have on local revenues. (HEA 1317-2013)
- (20) Land bank issues unique to Marion County. (HEA 1317-2013)

II. INTRODUCTION AND REASONS FOR STUDY

The Legislative Council assigned topics of study outlined above to the Commission that had been requested by a legislator in a bill or resolution considered in the 2013 session of the General Assembly. (Note: The tax credit review was requested in a bill enacted in the 2012 session of the General Assembly.)

In addition to the topics of study assigned by the Legislative Council, the Commission also studied the following topics pursuant to its statutory authority:

- (1) The use of tax increment financing (TIF).
- (2) The issue of a supplier discriminating against consumers based on the price of promotion of goods to retailers by refusing to sell to a retailer a good at the same price that the supplier sells the good to any other retailer. (SEA 382-2013)

III. SUMMARY OF WORK PROGRAM

The Commission met at the State House in Indianapolis on November 13, 2013, November 18, 2013, December 2, 2013, and December 3, 2013. The meeting on December 2, 2013, was a joint meeting with the Indiana Advisory Commission on Intergovernmental Relations.

IV. SUMMARY OF TESTIMONY

The Commission heard testimony from state agencies, trade associations, advocacy groups, local governments, representatives from higher education, business persons, and interested individuals on the following:

Local Taxes:

1. Effect of circuit breaker credits on unprotected taxes of school corporations and other local units.
2. Development and impact of proposed soil productivity factors for assessment of agricultural land.
3. Use of TIF by local units and the extent to which levies are allocated to TIF districts.
4. Collection and distribution of local option income taxes.
5. Estimated impact of the property tax circuit breaker in 2014 and 2015.

State Taxes:

1. Examination of the use and impact of the following state income tax credits.

- 21st Century Scholars Program Tax Credit
- Biodiesel Production Tax Credit
- Coal Gasification Technology Investment Tax Credit
- Ethanol Production Tax Credit
- Historic Rehabilitation Tax Credit
- Indiana College Contribution Tax Credit
- Indiana Insurance Guaranty Association Tax Credit
- Indiana 529 College Savings Contribution Tax Credit
- Individual Development Account Tax Credit
- Lake County Residential Property Tax Credit
- Neighborhood Assistance Tax Credit
- Prison Investment Tax Credit
- Residential Historic Rehabilitation Tax Credit
- Research Expense Tax Credit
- Riverboat Building Tax Credit
- School Scholarship Contribution Tax Credit
- Unified Tax Credit for the Elderly

2. Employment and educational levels of ex-felons, and the potential efficacy of an income tax credit for businesses that employ ex-felons.

Local Government Administration:

1. Benefits, costs, and limitations to local units from publishing budget documents and information.
2. Flexibility of local units in managing budgets.
3. Accounting by local units pursuant to Generally Accepted Accounting Principles (GAAP).
4. Budget review of appointed library boards by county councils.
5. Changes to adjoining library district boundaries.
6. Determining and reporting the administrative costs of providing township assistance.
7. Land bank issues.

Other:

1. Price discrimination by suppliers of goods to retailers.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Commission did not make any findings of fact or recommendations and did not adopt a final report.

WITNESS LIST

William Alexander
Beyond the Bridges

Matt Bell
Regional Chamber of Northeast Indiana

Andrew Berger
Association of Indiana Counties

David Bottorff
Association of Indiana Counties

Brock Bowsher
Avon Community School Corporation

Emily Bryant
Feeding Indiana's Hungry

Brian Burdick
Indiana Education Savings Authority

Meredith Carter
Hamilton County Council

Representative Ed Clere
House District 72

Rhonda Cook
Indiana Association of Cities and Towns

Dennis Costerison
Indiana Association of School Business
Officials

Bill Crawford
Marion County Treasurer's Office

Steve Croyle
Mayor of Winchester, Indiana

Marsh Davis
Indiana Landmarks

Frank Davoli
Richmond Master

Dax Denton
Indiana Bankers Association

Tom Dinwiddie
Indiana Bankers Association

Scott Drenkard
Tax Foundation

Debby Driskell
Indiana Township Association

Jason Dudich
City of Indianapolis

Carolyn Elliot
Indiana Economic Development
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Mark Fisher
Indianapolis Chamber of Commerce

Andy Frazier
Indiana Association for Community
Economic Development

Mike Galliher
Boyce Systems

Beverly Gard
Private Citizen

Chip Garver
Beverage Association

Don Goodin
Good Oil

John Grew
Indiana University

Janet Gruwell
Concord Community Schools

Trent Hahn
Association of Indiana Life Insurance
Companies

Katrina Hall
Indiana Farm Bureau

Doug Hasler
Elkhart Community Schools

Tom Havens
Indiana Builders Association

John Hawkins
Private Citizen

Larry Hesson
Hendricks County Council

Joseph Holman
Indiana Library Federation

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State Board of Accounts

Dr. Paul Kaiser
Beech Grove City Schools

Representative Michael Karickhoff
House District 30

Jim Kelly
Notre Dame University

Walter Kelly
Private Citizen

Steve Key
Hoosier State Press Association

Kerry Khuri
Clark County Council

James C. Kienle
American Association of Architects
(Indiana)

John Krauss
Indiana University Public Policy Institute

Tera Klutz
Allen County Auditor

Lisa Kobe
Duke Energy

Joe Lackey
Grocery and Convenience Store
Association

Kristen LaEace
Indiana Association of Areas on Aging

Cindy Land
Marion County Treasurer's Office

Gina Leckron
Habitat for Humanity

Dawn Manfredi
Indiana Township Association

Beverly Martin
Johnson County Public Library

Frank McWhorter
New Albany-Floyd County Consolidated
School Corporation

Lucinda Nord

Indiana Association of United Ways

Stacey O'Day
Allen County Assessor

Gus Olympidis
Family Express Convenience Stores

Professor Phillip Owens
Purdue University

Wendy Phillips
Carmel Clay Public Libraries

Gina Radice
Private Citizen

Mike Reuter
Hamilton Southeastern Schools

David Reynolds
Indiana Senate

Jay Ricker
Ricker's Stores

Ed Roberts
Indiana Manufacturers Association

Jeff Roeder
Indianapolis Metropolitan Development
Commission

Nick Rush
Private Citizen

Mike Shafer
Indiana Association of School Business
Officials

Rebecca Seifert
Gennesaret Free Clinic

Lauren Sewell
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Representative Robin Shackelford

House District 98

Mike Shafer
Zionsville Community Schools

Glenna Shelby
Indiana Association of Rehabilitation
Facilities

Bob Sigalow
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Indiana Housing and Community
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Senator Jim Smith
Senate District 45

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Indiana Small and Rural Schools
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Department of Local Government
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Bill Waltz
Indiana Chamber of Commerce

Martina Webster
Private Citizen

Curtis Whittaker
Calumet Township (Lake County)

Kathy Williams
Indiana Community Action Agencies

Kent Williams
Indiana CPA Society

Cathy Wolters

Department of Local Government
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Barry Wood
Department of Local Government
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